

Kentucky Agriculture Resource Development Authority

Meeting Minutes

February 5, 2003

The Kentucky Agriculture Resource Development Authority met on Wednesday, February 5, 2003 at the Berry Hill Mansion in Frankfort, Kentucky.

Commissioner Billy Ray Smith called the meeting to order.

Members Present:

Louis Rivers designee for Dr. Harold Benson; William Fritz; Jack Hughes; Dr. Jack Kimbrough; Doug Lawson; George Martin; Peter McNeill; Sam Moore; David Neville; Bill Payne; Commissioner Billy Ray Smith; David Sparrow, designee for Dean Scott Smith; Martha Thompson; David Switzer; Bettie Wallace; John-Mark Hack; Roger Thacker

Members Absent:

Sharon Furches, Chair; Terry Ashby; Senator Ernie Harris; Keith Harris; Genie Akin Hart; Scott Kuegel; Billy Joe Miles; Terry Rhodes; Will Southerland; Representative Roger Thomas; Dean Scott Smith; Dr. Harold Benson

Guests:

Mrs. Roger Thacker; Dean Wallace; Brian Alvey; Sara Adams

Governor's Office of Agricultural Policy Staff Present:

Bruce Harper; Joel Neaveill; Edith Fultz

Welcome and Opening Remarks:

Commissioner Smith - Welcomed the members and asked that the roll be called.

Edith Fultz - Called roll.

Minutes of October 16, 2002 Meeting

Commissioner Smith - Asked for a motion to approve the minutes of the December 18, 2002 meeting. Peter McNeil made a motion to approve the minutes with no changes; Bettie Wallace seconded the motion; the motion passed unanimously; the minutes were approved.

Legislative Issues

Joel Neaveill - Reminded the Board members of the decision at the last Kentucky Agriculture Resource Development Authority meeting to approve a resolution to be sent to all members of the General Assembly in support of the continuation of 50% of the tobacco settlement proceeds for agriculture and for the county and state allocations to remain the same as in statute. We obtained as many signatures as we could and forwarded those to every member of the General Assembly. We have received one response to date. This response was from Representative Robin L. Webb. Mr. Neaveill told us that we get a sense that the resolution was received favorably by all we have come in contact with. A copy of the letter with a copy of the resolution and signature list was provided to you.

Mr. Neaveill - Reminded us, that at the last Board Meeting Representative Roger Thomas had a concept related to a Rural Agricultural Task Force. He told us that a concurrent resolution was filed yesterday encouraging the formation of a task force. Mr. Neaveill has provided for your review, a copy of an article in the Courier Journal, today's edition, and a copy of that concurrent resolution. He told us that we would like to support Chairman Thomas' concurrent resolution and go on record as the Kentucky Agriculture Resource Development Authority Board that we are in support of this resolution, if the Board agrees. Bill Payne made a motion to support this concurrent resolution and forward our recommendation to the General Assembly. David Switzer seconded the motion. Commissioner Smith recognized the motion and asked for further discussion. He expressed his support for this resolution and expressed the importance of communications between producers and consumers. Commissioner Smith explained the resolution further and told us that it would have to be approved before both the House and the Senate. Joel Neaveill told us that the resolution states that the task force may make legislative proposals to the 2004 Regular Session. Commissioner Smith asked for any other questions or discussion then asked for a vote on the motion. The motion passed.

Brian Alvey, Farm Bureau – Told us he is here representing Patrick Jennings who couldn't be here today. He introduced Sara Adams as Farm Bureau's intern who has been working with them during this legislative session. He told us that we are facing tough times with the main priority being Phase I money. This money is separate from the General Fund, which makes it a very easy target. He said all of the agriculture community has done a very good job letting the legislature know not to mess with this too much. There are a couple of Bills that would directly threaten the Phase I monies. Senate Bill 14 and House Bill 218 are to take \$10 million from the total phase I monies, \$5 million from agriculture and \$5 million from the other 50% which goes to High Risk Health Care and Early Childhood Development. That money would go for an industrial park in Paducah. We don't believe this has a very good chance in the Senate but we believe the more calls that are made to the Appropriations and Revenue Committee to kill that bill the better. He asked that we let the people in the Senate Districts know that. Also, Companion Bill with House Bill 218 says exactly the same thing. It has a

little more chance of passing in the House. We believe our biggest threat with Phase I is an across the board cut. In other words, if every government agency gets a cut they can go ahead and possibly cut the Phase I money. Agriculture is in a tough position in this budget. There are things such as property taxes. Governor Patton proposed in House Bill 44 an increase by 13.5 cents tobacco taxes, which are looking less likely each day and some other corporate taxes. On a mid-size farm this could have an impact of \$1 thousand to \$3 thousand dollars a year. We are going to continue to fight to keep the Phase I monies. He also told us about the Dog Retrieval Bill, the Pest Plant Board Bill and the Migrant Licensing Bill. He told us that Farm Bureau's top priority is Phase I and it seems that all of the legislators are still committed to it with the exception of the two Bills he mentioned earlier.

Jack Hughes – Asked if Dog Retrieval Bill would require that the hunter leave their hunting equipment and weapons at the fence and commented further. Mr. Abney responded that this is so and that they cannot bring ATV's or trucks onto people's property. There was some further discussion.

Bruce Harper – Asked about Farm Bureau's strategy to avoid Phase I taking a cut.

Mr. Alvey - Responded telling us that they don't know exactly because they don't know what proposals are out there. If they cut everything by 5% our only strategy is to say, "not us". Farmers have, in the past, been in a position to say this due to hardships they have had to face. We don't have an exact answer right now. He told us that he is sure that we will have to face something like that. David Switzer asked about a business activities tax. Mr. Alvey said there is still talk about that and the LLC tax in particular. We are trying to get an agriculture exemption if it goes through. He told us that right now there is not a lot of sentiment for the LLC tax. Mr. Switzer also asked if this might also apply to proprietorships. Mr. Alvey responded, not that he is aware of. We are working closely with the Department of Agriculture on their budgetary items and monitoring the cuts that they may have to take. We are going to be fighting for those, taking guidance from the Department of Agriculture, seeing what their priorities and ours are. Jack Hughes asked, on House Bill 218, does the total amount come out of the 50%. Mr. Alvey responded, no, it comes off the top of the total of tobacco settlement money. It will be \$2.5 million annually from each side.

John-Mark Hack – Emphasized the importance of the program being managed by the Agricultural Development Board and expressed concerns over the future of the program and the staff who provide this programming. He also expressed concerns about the future of agriculture in Kentucky and told us that there is nothing more important to the future of agriculture in Kentucky than the continuation of the Agriculture Development Board, that fund and our County Council system. He reminded us that there is a transition of administrations coming up in December, and that programming and staff continuity is essential to the continuation of this program. He told us that across the board budget cuts to state government agencies is a valid threat, but it is not a threat to the continuation and permanence of this program. The real threat is not being able to provide program continuity. Mr. Hack announced the resignation of the Staff Attorney and expressed his concern about not having the ability to draft legal agreements without an attorney and not being able to hire an attorney with only the promise of 307 days of work after today. He told us that he

wants everyone here to acknowledge the sense of urgency about this issue in this Legislative Session. He told us that unless we can provide some security to the staff members, they have 308 days left, because they are political appointees. Unless within the next thirty days, we can address this issue in a constructive way, we are going to lose more staff members. Mr. Hack told us that we have had a proposal on the table since October of last year that would provide some security for the staff members. That proposal has been criticized, but there have been no counter proposals or alternative ideas proposed by any organizations represented here. If this issue is not addressed within the next thirty days the threat to this program will come in the 2004 budget session. By October of this year there won't be people to answer the phone calls from County Councils and applicants, process applications and do all the work that has made this program the National Model that it is. He told us that the complaints we heard from the agriculture community in the start-up phase of this program will pale in comparison to what the legislators will hear from people who don't have their expectations met that have been built up through the success of this program over the past 2 and ½ years. This is going to happen immediately prior to the General Assembly convening for the 2004 Regular Budget Session. A 5% or 10% across the board cut pales in comparison to the threat that this will constitute to the ongoing nature and the permanence of this agricultural development program. Unless we can get this issue resolved, our ability to retain the staff that makes this program work is going to be really limited. This issue has to be addressed within the next eight days. This message needs to be carried to the General Assembly by every organization represented here. Every organization here has benefited directly or indirectly by the existence of this fund and the existence of this program. Mr. Hack told us, if there is a plan out there to address this issue, then, we need to communicate it to the General Assembly. Commissioner Smith - Asked if there are any questions or comments about the issue Mr. Hack has raised. Brian Alvey - Commented that Patrick Jennings just met with Senator Dan Kelly specifically about this issue. He doesn't know the outcome at this time. He wants to let this group know that Farm Bureau is putting forth an effort to see what the process would be and if it is feasible. Commissioner Smith – Told us the Agricultural Development Board did endorse a resolution that meets at least part of the demands of the issue John-Mark is addressing. He also told us that we don't know who the next Governor or Commissioner of Agriculture is going to be and we don't know what their attitude toward House Bill 611, the Agricultural Development Board or the Governor's Office of Agricultural Policy will be. What Mr. Hack is saying is very critical and he has made a valid point. It deserves discussion and support. Mr. Smith said he doesn't know the best way to address this issue, but it is certainly a factor that we have to deal with. Sam Moore – Challenged Mr. Hack to find any organization in Kentucky that has done more to promote and support the Agricultural Development Phase I funding than the largest organization in the state, Farm Bureau, has. He believes they have the record to prove it. He is in complete agreement that we want to see continuity in the staff. They have been talking to legislators over the last two months about ways that this can be done. He told us that he met with Senator Dan Kelly this morning and he met with Representative Roger Thomas this morning. The meeting with Senator Kelly this morning went well. He understands the problem. We talked about whether moving

this to the Finance Cabinet would help, he says not. We are working on this. We just haven't found a solution yet. We are very much in favor of maintaining the staff. He told us that Senator Kelly commented that a new Governor is not going to replace staff. He also told us that Senator Kelly said there is not going to be support in the Senate to put the staff under the Merit System. Mr. Moore - Said they plan to continue to work on making continuity of staff a priority. Mr. Hack – Asked Mr. Moore for alternative solutions other than the present proposal. Mr. Moore – Reiterated that they don't feel like a new Governor would want to replace existing staff and start over. David Switzer – Asked if there are funds in the Governor's Budget for the continuation of the Governor's Office of Agricultural Policy. Mr. Hack - Responded that there isn't a budget, but in the spending plan there are funds through fiscal year 2004. Dean Smith – Questioned Mr. Hack whether all of the employees in the Governor's Office of Agricultural Policy are appointed employees and subject to termination with the change of administration. Mr. Hack - Responded, yes. There was some discussion about staff not needing to be merit employees. Mr. Hack - told us we have a specific proposal that has been on the table since October, there has not been an effective counter proposal to that made. We are 6 days away from the deadline for requesting Bill Resolutions. We are 13 days away from the deadline for filing legislation. We are 3 months after the proposal being submitted. There isn't a viable alternative. Mr. Hack expressed that this program wouldn't exist without Farm Bureau and the support they have give the program over the course of its existence. We are concerned about the future of the program. David Switzer - Asked for further explanation of the proposal. Mr. Hack -Explained that it is to change the administrative attachment of the Agricultural Development Board and Agricultural Finance Corporation to the Finance and Administration Cabinet, where all other government financing programs reside, to keep the Agricultural Development Board and the Agricultural Finance Corporation as a part of the Governor's Cabinet to honor the legislative precedent that was established when they passed House Bill 611 and the legislative precedent that was established when they created the Phase II Board and attached it to the Finance and Administration Cabinet. They are both financing agencies. Financing agencies in Kentucky State Government are attached to the Finance and Administration Cabinet. We cannot function without Finance and Administration. They cut all of our checks. They process all request for payment from our office. We have a very close working relationship with them. That is the proposal, simply to change the administration designation and to change the personnel classification of the staff members. Mr. Hack told us that there is a model that we proposed following (the Kentucky Housing Corporation). There was extended group discussion as to whether we can maintain staff continuity without making this proposed change and how we might do so. There was also some discussion about Board continuity with and explanation of staggered terms for board members given by Mr. Hack. Commissioner Smith – Expressed reservations about constitutional issues related to this proposal. Mr. Hack – Told us he doesn't believe there are any constitutional issues. There was further discussion about staffing both the Agricultural Development Board and The Agricultural Finance Corporation with the same people. Doug Lawson -told us that everyone in this room has been impacted by the work the Governor's Office of Agricultural Policy has done and we each have a responsibility to

somehow find a way to organize what Mr. Hack has presented. He expressed his support for what Mr. Hack has proposed. Mr. Hack -Responded, telling Mr. Lawson that the most constructive thing to be done is to contact your Representatives in the House and Senate to inform them of the priority nature of this issue and why it is of such great consequence in this particular session. This is not anything other than a move to institutionalize this program and to provide continuity in the program itself. This issue is continuity of the program. The more people on the General Assembly are aware of this, the better our chances are of something being done. Commissioner Smith - suggested that the Kentucky Agriculture Resource Development Authority Board adopt the resolution that the Agricultural Development Board adopted. He read the resolution to the group. Sam Moore made a motion to adopt this resolution, David Switzer -seconded the motion. There was some further group discussion of the proposal. A vote was taken. The motion passed. Commissioner Smith -reiterated that there is no better message than a personal message, a phone call or visit.

Commissioner Smith -Passed out copies of an information sheet showing the proposed budget cuts that he presented to the House last week. He explained that the Kentucky Department of Agriculture has begun 12 new programs and expanded 8 with 22 fewer employees than January 1996. He also shared the list of selected cuts necessary according to the percentage of the cuts and expressed concerns over the loss of services to the people of Kentucky due to these cuts. He also told us that he hopes we will consider visiting with our legislators about the cuts in Department of Agriculture. There was some discussion about the Dead Animal Removal Program, Co-op Graders and other programs that would be either cut back or eliminated entirely. Commissioner Smith also told us about some regulatory changes that we are suggesting and a couple of minor bills. A Change in Senate Bill 13 (Incentives for identifying/buying Kentucky products.)

George Martin - Questioned Brian Alvey about bio-diesel. Mr. Alvey responded that they fought long and hard last year and that nothing is gong to happen this year. There are only 3 or 4 stumbling blocks. He said he believes it has a good chance, whether it will be next year or a year down the road.

Updates

The Board Members to introduced themselves and identified which group they are representing.

- Kentucky Farm Bureau

Sam Moore talked about the Tobacco Buyout and told us that he believes we have the right people in place to get it done. He also told us that he believes if it is going to be done, it will be done this year.

- Kentucky State University

Louie Rivers told us he is sitting in for Dr. Benson who is out after having surgery. He also told us about Kentucky State University's new long term Interim, Dr. William Turner.

- Kentucky Department of Agriculture

Commissioner Smith - Reported that the National Meeting of Association of State Departments of Agriculture met this week. We have 17 new Secretaries & Directors and Commissioners of Agriculture, due one or two being elected, but mostly due to the change over after the Gubernatorial elections. We are dealing with several issues right now. There is more support for Dairy Compact now in Washington than ever before due to the low prices of dairy products and the current system of the 2002 Farm Bill that didn't adequately compensate the farmers. There is also more support now for some different program to be submitted in the 2003 – 04 budget. There is a \$3.1 billion figure associated with the Disaster Bill that has been drafted. Homeland Security is continuing to be a big issue. It looks like we are going to get some money coming to our state to address homeland security issues. Homeland Security is a cabinet now and we had the opportunity to meet with all of the Secretaries of the Environmental Protection Agency, US Department of Agriculture and the Food & Drug Administration under one sitting to talk about the various opinions and how their decisions will affect what someone else does. We spent the entire day yesterday on Homeland Security issues and discussion of interrelations with all the different state agencies, Cabinet for Health Services, Disaster Emergency Services, FBI, State Police, and Military Affairs. Homeland Security affects every major Cabinet. We have always had an emphasis on our borders as far as protection of imports, diseases, plant and livestock diseases. We are going to be expanding the capabilities of our laboratories. There will be additional benefits for our state under Homeland Security. He talked further about bio-terrorism concerns and prevention. He also told us that the Farm Bill is coming along slow in implementation. The survey is going on. He encouraged us to get the surveys in. A lot of specialty block grants are dependent on those surveys. It is very important that you fill those out accurately. He explained that the amount of money is based on the numbers given. He also told us that Environmental Stewardship is coming along well.

- Soybean Association

George Martin – told us that US soybean production is losing ground to South America. There is a meeting in South Carolina coming up March 26. We are trying to get a Federal Block Research Grant to come up with 4 or 5 soybean varieties that is adaptive to the Southeast region.

Next Meeting

Joel Neaveill –The next meeting is scheduled for the second week in June.

Meeting Adjourned at 3: 30pm